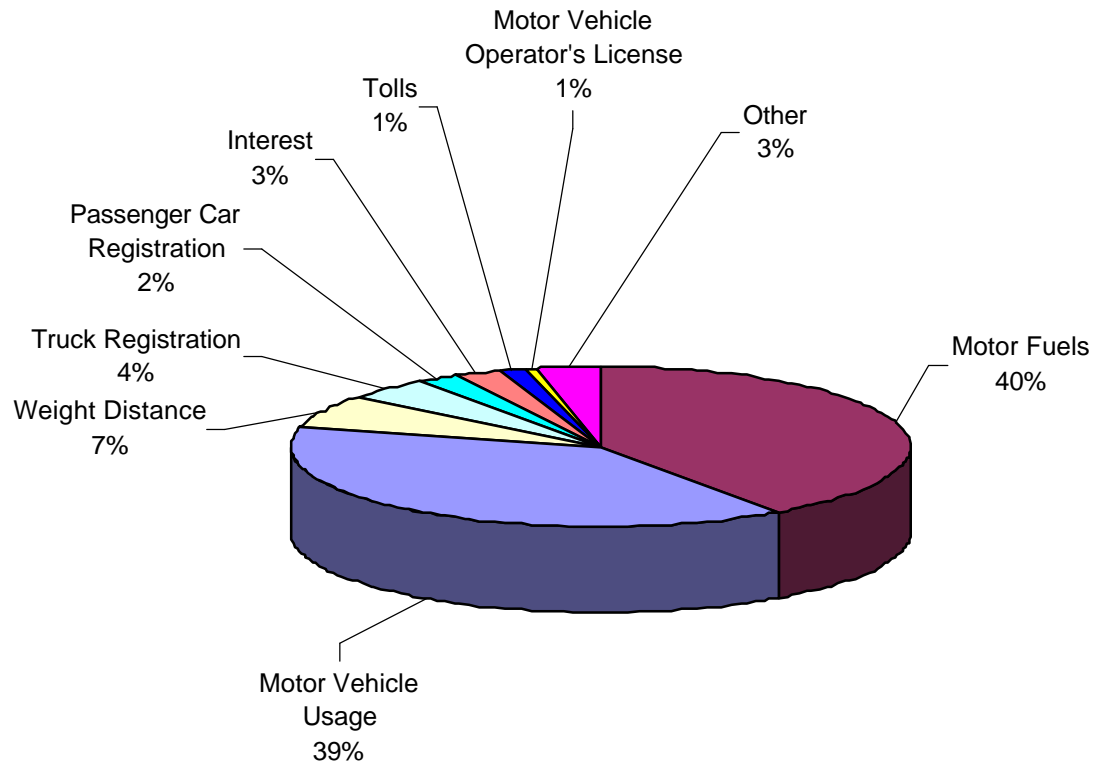


Annual Budget Report

Where the Money Came From

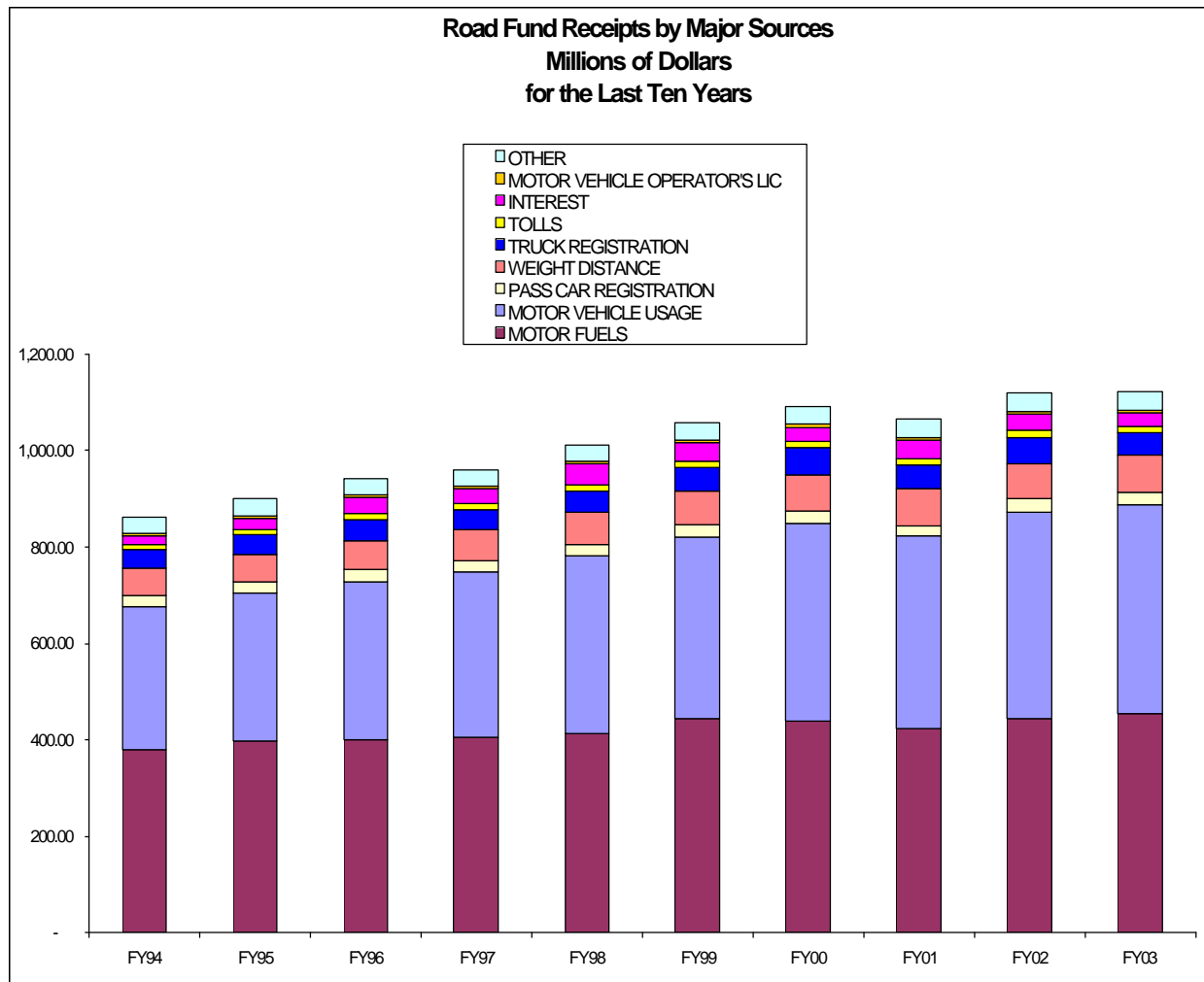
Road Fund Revenue Receipts

Makeup of FY03 Road Fund Receipts



Total Receipts: \$1,123,103,133

Two Year Comparison of Road Fund Receipts			
<u>Receipt Source</u>	<u>FY 2003 Amount</u>	<u>FY 2002 Amount</u>	<u>Change From FY 02</u>
Motor Fuels	\$453,533,412	\$443,933,644	2.2%
Motor Vehicle Usage	\$432,836,810	\$429,242,447	0.8%
Weight Distance	\$76,851,210	\$75,265,639	2.1%
Truck Registration	\$46,239,534	\$54,307,307	-14.9%
Passenger Car Registration	\$26,016,100	\$25,355,085	2.6%
Interest	\$29,169,967	\$32,952,437	-11.5%
Tolls	\$13,263,429	\$13,785,486	-3.8%
Motor Vehicle Operator's License	\$6,256,806	\$6,443,170	-2.9%
Other	\$38,935,866	\$37,720,099	3.2%
<u>TOTAL</u>	<u>\$1,123,103,133</u>	<u>\$1,119,005,334</u>	<u>0.4%</u>



Supporting data for chart is supplied in the following table.

ROAD FUND DATA BREAKOUT TABLE			
	Fiscal Year	Receipts (\$)	Percent Change(%)
Road Fund Total Receipts	2002-03	1,123,103,133	0.4
	2001-02	1,119,005,334	5.2
	2000-01	1,064,123,291	-2.4
	1999-00	1,090,777,823	3.2
	1998-99	1,056,640,430	4.4
	1997-98	1,011,789,74	5.4
	1996-97	960,183,780	2.2
	1995-96	939,910,490	4.4
	1994-95	900,619,387	4.4
	1993-94	862,826,425	5.2
Motor Fuels Normal	2002-03	438,564,438	2.0
	2001-02	429,812,261	5.1
	2000-01	408,801,090	-3.6
	1999-00	423,876,350	-0.9
	1998-99	427,848,100	8.0
	1997-98	396,123,781	1.4
	1996-97	390,688,336	3.3
	1995-96	378,142,941	1.3
	1994-95	373,316,977	4.2
	1993-94	358,435,307	1.4
Motor Fuels Normal Use and Surtax	2002-03	14,968,974	6.0
	2001-02	14,121,403	-8.7
	2000-01	15,473,908	-2.7
	1999-00	15,905,614	-5.6
	1998-99	16,852,035	-3.6
	1997-98	17,473,744	14.1
	1996-97	15,316,702	-32.1
	1995-96	22,554,048	-2.2
	1994-95	23,052,951	7.7
	1993-94	21,399,126	3.9
Passenger Car Registration and Specialty Plates	2002-03	26,016,100	2.6
	2001-02	25,355,085	8.8
	2000-01	23,305,134	-9.6
	1999-00	25,776,754	1.2
	1998-99	25,465,367	1.6
	1997-98	25,056,286	3.2
	1996-97	24,275,827	-0.3
	1995-96	24,341,199	0.4
	1994-95	24,245,649	-0.6
	1993-94	24,387,381	3.0

(Road Fund Data Breakout Table Continued)

	Fiscal Year	Receipts (\$)	Percent Change(%)
Motor Vehicle Usage Tax	2002-03	388,959,153	2.0
	2001-02	381,401,576	10.5
	2000-01	345,120,799	-4.0
	1999-00	359,437,723	8.5
	1998-99	331,187,817	1.8
	1997-98	325,308,554	6.7
	1996-97	304,868,491	-19.4
	1995-96	298,585,859	33.2
	1994-95	283,820,829	2.0
	1993-94	278,157,347	19.1
Weight Distance	2002-03	76,851,210	2.1
	2001-02	75,265,639	0.1
	2000-01	75,170,141	0.0
	1999-00	75,144,201	7.1
	1998-99	70,165,745	5.3
	1997-98	66,665,457	5.7
	1996-97	63,061,494	5.4
	1995-96	59,809,913	4.5
	1994-95	57,224,943	-0.2
	1993-94	57,341,479	-15.5
Motor Vehicle Rental Usage Tax	2002-03	43,877,657	-8.3
	2001-02	47,840,871	-7.3
	2000-01	52,419,167	3.3
	1999-00	49,957,851	12.4
	1998-99	44,475,115	7.3
	1997-98	41,450,720	13.3
	1996-97	36,593,748	25.9
	1995-96	29,054,964	26.5
	1994-95	22,966,440	34.7
	1993-94	17,055,319	40.7
Truck Registration (Licenses)	2002-03	46,239,534*	-14.9
	2001-02	54,307,307	11.0
	2000-01	48,931,474	-10.8
	1999-00	54,825,248	9.5
	1998-99	50,079,564	10.8
	1997-98	45,205,621	6.5
	1996-97	42,462,203	-3.3
	1995-96	43,899,126	9.4
	1994-95	40,122,277	3.2
	1993-94	38,896,486	4.5

*Truck Registration collections in FY2003 do not include \$6.89 million that were inadvertently deposited in the Special Deposit Trust Fund.

(Road Fund Data Breakout Table Continued)

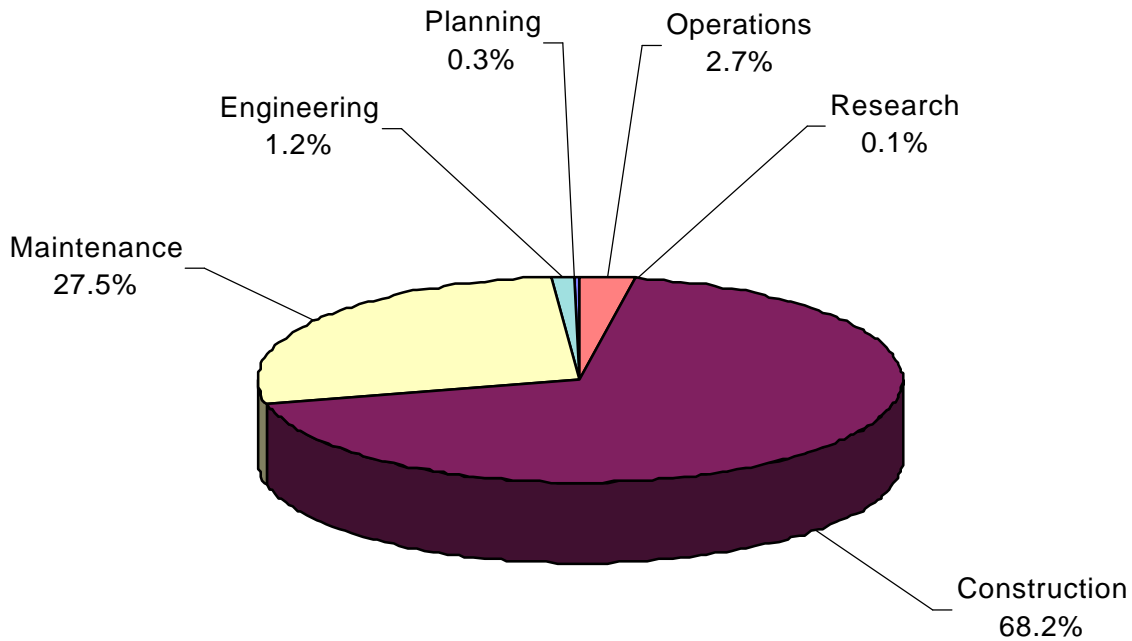
	Fiscal Year	Receipts (\$)	Percent Change(%)
Tolls	2002-03	13,263,429	-3.8
	2001-02	13,785,486	11.1
	2000-01	12,410,901**	-7.9
	1999-00	13,474,111	1.0
	1998-99	13,342,667	2.6
	1997-98	12,998,547	3.3
	1996-97	12,585,961	5.7
	1995-96	11,911,376	2.1
	1994-95	11,668,786	6.0
	1993-94	11,003,702	5.2
Motor Vehicle Operator's License	2002-03	6,256,805	-2.9
	2001-02	6,443,170	3.1
	2000-01	6,251,717	8.3
	1999-00	5,775,095	-0.7
	1998-99	5,817,834	1.2
	1997-98	5,750,159	8.0
	1996-97	5,324,387	5.2
	1995-96	5,059,378	-1.1
	1994-95	5,114,020	-3.3
	1993-94	5,286,539	6.5
Interest Income	2002-03	29,169,967	-11.5
	2001-02	32,952,437	-18.0
	2000-01	40,187,239	36.5
	1999-00	29,435,957	-17.3
	1998-99	35,588,557	-15.2
	1997-98	41,950,531	31.6
	1996-97	31,875,589	-6.1
	1995-96	33,940,968	51.4
	1994-95	22,421,085	28.7
	1993-94	17,426,840	-2.0
Other Revenue Receipts	2002-03	38,935,867	3.6
	2001-02	37,720,099	4.4
	2000-01	36,051,721	-1.5
	1999-00	37,168,919	3.1
	1998-99	35,817,629	5.3
	1997-98	33,806,274	2.9
	1996-97	33,131,042	2.1
	1995-96	32,610,718	-9.8
	1994-95	36,665,430	7.9
	1993-94	33,436,899	-11.1

**Does not include \$1 million used as compensating balance in toll road banks.

Where the Money Went

Road Fund Expenditures

Highway Expenditures Fiscal Year 2003

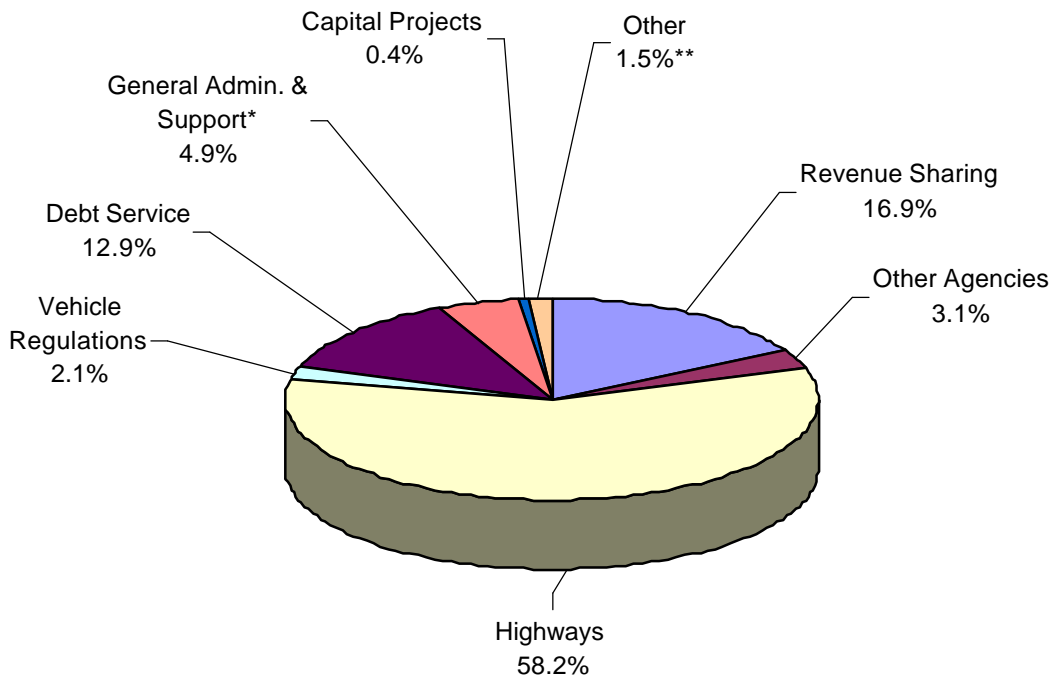


Total Highway Expenditures: \$757,753,768

Two Year Comparison of Highway Expenditures by Allotment Units			
<u>Allotment Unit</u>	<u>FY 2003 Amount</u>	<u>FY 2002 Amount</u>	<u>Change From FY 02</u>
Research	\$842,079	\$868,030	-3.0%
Construction	\$516,839,738	\$464,339,237	11.3%
Maintenance	\$208,241,171	\$206,067,346	1.1%
Engineering	\$9,344,030	\$9,388,208	-0.5%
Planning	\$2,322,574	\$2,459,251	-5.6%
Operations	\$20,164,176	\$19,642,931	2.7%
Equipment	0*	\$950,000	-100.0%
<u>TOTAL</u>	<u>\$757,753,768</u>	<u>\$703,715,003</u>	<u>7.7%</u>

* Equipment unit switched to an Agency Restricted Fund.

**Expenditures by Appropriation Units
Fiscal Year 2003**



Total Expenditures: \$1,301,364,714

*Includes \$7.1 million for debt service on new Transportation Office Building.

**Includes \$19.3 million for litigation judgements and settlements.

Two Year Comparison of Expenditures by Appropriation Units			
Appropriation Unit	FY 2003 Amount	FY 2002 Amount	Change From FY 02
Revenue Sharing	\$219,998,494	\$216,203,223	1.8%
Highways	\$757,753,768	\$703,715,003	7.7%
Vehicle Regulations	\$27,278,209	\$28,698,673	-4.9%
Debt Service	\$167,300,489	\$169,194,729	-1.1%
General Admin. & Support	\$62,960,998	\$60,179,565	4.6%
Capital Projects	\$5,840,000	\$5,654,000	3.3%
Other Agencies	\$40,368,950	\$35,409,349	14.0%
Other	\$19,863,806	\$470,740	4119.7%
TOTAL	\$1,301,364,714	\$1,219,525,282	6.7%

Administrative Cost as a Percent of Total Expenditures

Background

One of the Cabinet's values is using taxpayers' money wisely. Supporting this, one of our objectives is to organize and manage resources. This means making every dollar produce the best possible product or service for the customer. To accomplish the objective, we strive to channel dollars to the activities that directly generate products or services. Expenses that do not provide direct benefit to the customer should be controlled.

Purpose

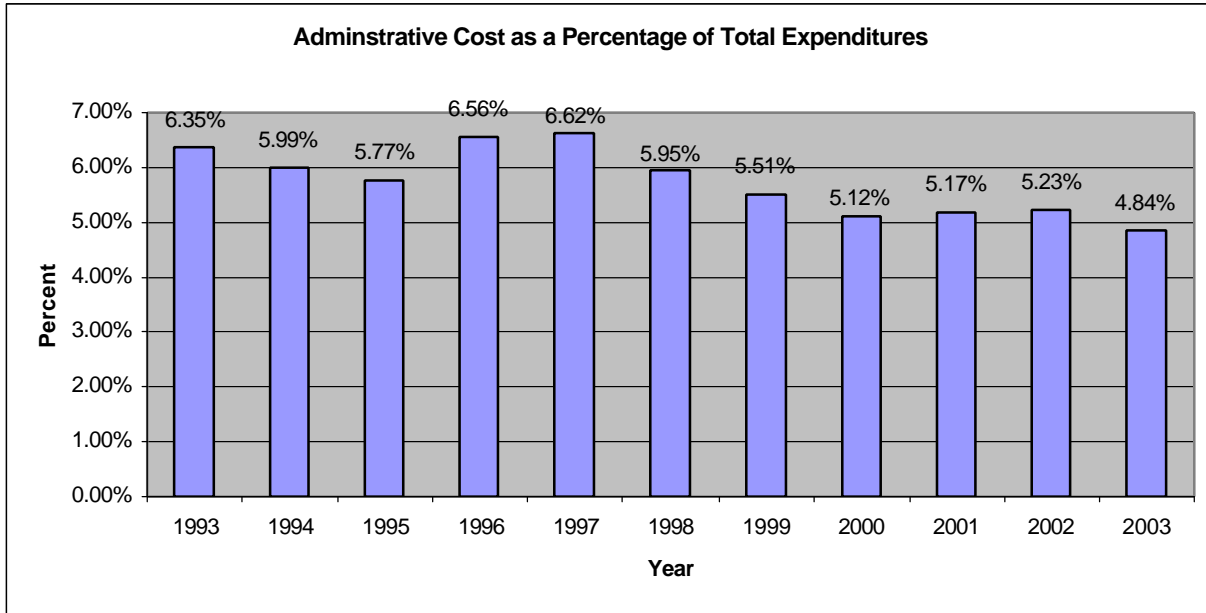
The measurement tracks administrative cost (i.e., cost of support activities) as a percentage of the agency's total expenditures. While these administrative costs are very necessary, it is important to monitor them as they effectively reduce dollars available for direct programs.

Method

The Administrative Cost Percentage is calculated after the end of each fiscal year by dividing the administrative expenditures by the total expenditures of the Cabinet. Administrative expenditures include the cost of central service and support units, as well as the cost of certain administrative support units within the Department of Highways. The Cabinet's total expenditures have been adjusted to remove debt service payments because these expenditures, while substantial, require very little administrative support.

Improvement/Results

Improvement is shown by a decrease in the administrative cost percentage. We have been able to achieve our lowest percentage for the last ten years in 2003. This indicates the Transportation Cabinet has been successful in controlling and improving that portion of the budget related to administration, thereby freeing up more dollars for the direct programs.



Rural and Municipal Aid Program

The Department of Rural and Municipal Aid oversees three separate components: the County Road Aid Program, the Municipal Road Aid Program, and the Rural Secondary Road Program. All of these programs are mandated and controlled by the Kentucky Revised Statutes, with the distribution of funds based on the amount of certain taxes or fees actually collected by the Commonwealth.

Through the County and Municipal Road Aid Programs, all of Kentucky's 120 counties, all of its municipalities, and all of its qualified unincorporated urban areas receive their formula-driven shares of funds in a timely manner. Through the Rural Secondary Road Program, the roads and bridges of the state's Rural Secondary Road System receive funding, which the Cabinet spends to handle repairs and maintenance. The funds are allocated to the counties based on a "formula of fifths," which is set out in the Kentucky Revised Statutes.

	<u>Miles</u>		<u>Cost</u>	
	<u>FY 02-03</u>	<u>FY 01-02</u>	<u>FY 02-03</u>	<u>FY 01-02</u>
Maintenance	12,137.24	12,166.56	\$39,593,400	\$38,961,700
Bituminous Seal	11.06	277.40	103,000	3,228,633
Bituminous Initial Treatment	14.18	64.89	516,619	3,273,646
Bituminous Resurface	1,482.25	1,436.31	46,363,743	45,008,944
Bituminous Patching	31.39	170.47	217,992	1,614,501
Bridges (Repair/Replace)	27	47	2,144,720	4,273,176
Miscellaneous (culverts, guardrail, grade & drain, replacement stone, slip/sliders, repairs, etc.)			5,682,333	1,163,479
TOTAL			\$94,621,806	\$97,524,079

EMERGENCY FUNDS SPENT

County Road Aid	\$ 2,405,894	\$2,158,497
Municipal Aid	281,135	111,262